

BRECKINRIDGE COUNTY SCHOOL DISTRICT

REPORT ON AUDIT OF COMPREHENSIVE
ANNUAL FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

FOR THE YEAR ENDED JUNE 30, 2005

BRECKINRIDGE COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS

Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	9
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	10 – 11
Statement of Net Assets – Proprietary Fund	12
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Fund	13
Statement of Cash Flows – Proprietary Fund	14
Statement of Fiduciary Net Assets – Fiduciary Funds	15
Notes to Basic Financial Statements	16 – 33
Supplementary Information:	
Combining Statements – Capital Project Funds:	
Combining Balance Sheet – Capital Project Funds	34
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Capital Project Funds	35

BRECKINRIDGE COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	36
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	37
Statement of Receipts, Disbursements, and Fund Balances:	
Breckinridge County High School Activity Fund	38
Activity Funds by School	39
Head Start – Financial Status Report	40
Board Members and Administrative Personnel	41
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42 – 43
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	44 – 45
Schedule of Expenditures of Federal Awards	46
Notes to Schedule of Expenditures of Federal Awards	47
Schedule of Findings and Questioned Costs	48 – 54
Summary Schedule of Prior Audit Findings	55
Corrective Action Plan	56
Management Letter Points	57 – 65



DRANE & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

209 East Third Street - P. O. Box 577
Hardinsburg, Kentucky 40143

Telephone (270) 756-5704
FAX (270) 756-5927
e-mail dandrane@bellsouth.net

INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Breckinridge County Board of Education
Hardinsburg, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Breckinridge County School District (District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract - General Audit Requirements, Appendix II of the Independent Auditor's Contract - State Audit Requirements, and Appendix III of the Independent Auditor's Contract - Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Breckinridge County School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have issued our report dated October 26, 2005 on our consideration of Breckinridge County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 6 and budgetary comparison information on pages 36 and 37 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The additional information shown on pages 34 through 41 and the accompanying Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole, except that the statements of receipts, disbursements, and fund balances of the school activity funds on pages 38 and 39 are presented on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the Board of Education, management, the Kentucky Department of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Drane & Company, PLLC
Certified Public Accountants

October 26, 2005

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

As management of the Breckinridge County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$10,244,530.
- The board did not initiate any new construction projects in fiscal year 2005. However, the Football Fieldhouse project was pending final completion.
- There were no new bond issues during the fiscal year 2005.
- The general fund had \$13,662,472 in revenue, which primarily consisted of the state program (SEEK), property, local, utilities, and motor vehicle taxes. Excluding fund transfers, there were \$12,568,531 in general fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

District-wide financial statements

The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with a difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 7 and 8 of this report.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2005**

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental and proprietary. The only proprietary fund is our food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 9 through 15 of this report.

Notes to financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 33 of this report.

DISTRICT-WIDE FINANCIAL STATEMENTS

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$21,482,637 as of June 30, 2005.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is currently outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net assets for the period ending June 30, 2005

2005 Government-wide Net Assets compared to 2004 are as follows:

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>2005</u>	<u>2004</u>
Current assets	\$ 11,764,294	\$ 10,881,140
Non-current assets	<u>23,522,965</u>	<u>23,785,438</u>
Total assets	<u>\$ 35,287,259</u>	<u>\$ 34,666,578</u>
Current liabilities	\$ 3,229,504	\$ 3,254,836
Non-current liabilities	<u>10,575,118</u>	<u>11,290,025</u>
Total liabilities	<u>\$ 13,804,622</u>	<u>\$ 14,544,861</u>
Net assets		
Invested in capital assets (net of debt)	\$ 12,316,116	\$ 11,885,823
Restricted	742,089	710,196
Unrestricted	<u>8,424,432</u>	<u>7,525,698</u>
Total net assets	<u>\$ 21,482,637</u>	<u>\$ 20,121,717</u>

There has been no significant change in the financial position of the District since the last audit.

The following table presents a summary of revenues and expenditures for Government Funds only for the fiscal years ended June 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Revenues:		
Local revenue sources	\$ 4,160,580	\$ 3,984,877
State revenue sources	10,684,737	10,841,452
Federal revenue	3,021,257	2,689,420
Investments	219,511	97,535
Other sources	289,248	593,840
Bond and lease proceeds	-	7,772,047
Net transfers	-	79,023
Total revenues	<u>18,375,333</u>	<u>26,058,194</u>
Expenditures:		
Instruction	9,848,706	10,061,057
Student support services	445,246	468,716
Instructional support	422,149	407,644
District administration	806,815	1,011,513
School administration	1,095,523	1,187,765
Business support services	423,112	150,257
Plant operation and maintenance	1,877,059	2,522,222
Student transportation	1,352,716	1,291,577
Central office	-	251,525
Community support	364,918	352,052
Food service	3,500	1,973
Capital outlay	167,469	674,719
Payment of principal	466,982	6,773,419
Payment of interest	215,420	570,515
Bond costs	-	279,533
Total expenditures	<u>17,489,615</u>	<u>26,004,487</u>
Revenues in excess of expenditures	<u>\$ 885,718</u>	<u>\$ 53,707</u>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2005**

- On-behalf payments are not included in the above figures. On-behalf payments as defined by KDE are payments the state makes on behalf of employees to the various agencies for health and life insurance, benefits, and administration fees. Also included are bond payments made by the School Facility Construction Commission. Further discussion of these can be found in Note P on page 31.

Comments on Budget Comparison

- The District's total general fund revenues for the fiscal year ended June 30, 2005, net of interfund transfers and on-behalf payments, were \$13,662,472.
- General fund budget revenue compared to actual revenue varied slightly from line item to line item with the ending balance being \$717,704 more than budget.
- General fund budget expenditures compared to actual expenditures varied slightly from line item to line item with the ending balance of actual expenditures being \$2,874,619 less than budgeted expenditures.

The majority of revenue was derived from state funding (70%) with local taxes making up 26.1% of total revenue.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1 through June 30; other programs operate on a different fiscal calendar, but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency. Significant Board action that impacts the finances include a 2% salary increase effective July 1, 2004, with an additional 1% state mandated salary increase effective January 1, 2005, for all staff.

Questions regarding this report should be directed to Evelyn Neely, Superintendent, or Denise Smith, Finance Officer, at (270) 756-3000 or by mail at P.O. Box 148, Hardinsburg, KY 40143.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Current Assets			
Cash and cash equivalents	\$ 10,228,284	\$ 483,285	\$10,711,569
Accounts receivable:			
Taxes	110,115	-	110,115
Other	5,707	-	5,707
Intergovernmental	864,726	-	864,726
Inventory	-	30,451	30,451
Prepaid expenses	41,726	-	41,726
Total Current Assets	11,250,558	513,736	11,764,294
Noncurrent Assets			
Bond discounts and issue costs, net of accumulated amortization of \$22,807	158,308	-	158,308
Capital assets	38,478,165	844,426	39,322,591
Less: accumulated depreciation	(15,408,328)	(549,606)	(15,957,934)
Total Noncurrent Assets	23,228,145	294,820	23,522,965
Total Assets	34,478,703	808,556	35,287,259
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	110,565	315	110,880
Accrued payroll and related expenses	1,679,554	74,833	1,754,387
Deferred revenues	535,296	-	535,296
Current portion of bond obligations	600,000	-	600,000
Current portion of capital lease obligations	105,302	-	105,302
Interest payable	123,639	-	123,639
Total Current Liabilities	3,154,356	75,148	3,229,504
Noncurrent Liabilities			
Noncurrent portion of bond obligations	10,060,000	-	10,060,000
Noncurrent portion of capital lease obligations	283,239	-	283,239
Noncurrent portion of accrued sick leave	231,879	-	231,879
Total Noncurrent Liabilities	10,575,118	-	10,575,118
Total Liabilities	13,729,474	75,148	13,804,622
<u>Net Assets</u>			
Invested in capital assets, net of related debt	12,021,296	294,820	12,316,116
Restricted for capital projects	742,089	-	742,089
Unrestricted	7,985,844	438,588	8,424,432
Total Net Assets	\$ 20,749,229	\$ 733,408	\$21,482,637

The accompanying notes are an integral part of this financial statement.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
Instruction	\$ 11,822,621	\$ 125,879	\$ 13,435,499	\$ -	\$ 1,738,757	\$ -	\$ 1,738,757
Support services:							
Student	533,236	35,812	-	-	(497,424)	-	(497,424)
Instructional staff	488,456	-	-	-	(488,456)	-	(488,456)
District administration	1,510,156	-	-	-	(1,510,156)	-	(1,510,156)
School administration	1,235,280	-	-	-	(1,235,280)	-	(1,235,280)
Business	501,359	-	-	-	(501,359)	-	(501,359)
Plant operations and maintenance	1,672,301	1,000	-	576,552	(1,094,749)	-	(1,094,749)
Student transportation	1,326,839	69,539	-	-	(1,257,300)	-	(1,257,300)
Community services	425,383	-	-	-	(425,383)	-	(425,383)
Food service	3,500	-	-	-	(3,500)	-	(3,500)
Bond costs amortization	12,075	-	-	-	(12,075)	-	(12,075)
Interest on long-term debt	423,663	-	-	-	(423,663)	-	(423,663)
Total governmental activities	19,954,869	232,230	13,435,499	576,552	(5,710,588)	-	(5,710,588)
Business-Type Activities							
Food service	1,512,276	462,513	1,030,810	-	-	(18,953)	(18,953)
Total business-type activities	1,512,276	462,513	1,030,810	-	-	(18,953)	(18,953)
Total primary government	\$ 21,467,145	\$ 694,743	\$ 14,466,309	\$ 576,552	\$ (5,710,588)	\$ (18,953)	\$ (5,729,541)
General Revenues							
Taxes:							
Property					\$ 2,804,202	\$ -	\$ 2,804,202
Motor vehicle					506,434	-	506,434
Utility					621,443	-	621,443
Interest income					219,511	10,143	229,654
State aid - formula grants					2,742,756	-	2,742,756
Other income					192,932	-	192,932
Special Items							
Loss on sale of fixed assets					(6,960)	-	(6,960)
Total general revenues and special items					7,080,318	10,143	7,090,461
Changes in net assets					1,369,730	(8,810)	1,360,920
Net assets - beginning of year					19,379,499	742,218	20,121,717
Net assets - end of year					\$20,749,229	\$ 733,408	\$21,482,637

The accompanying notes are an integral part of this financial statement.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Special Revenue (Grant) Fund	Capital Project Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 9,285,509	\$ 200,686	\$ 742,089	\$ 10,228,284
Accounts receivable:				
Taxes	110,115	-	-	110,115
Other	5,707	-	-	5,707
Intergovernmental	-	864,726	-	864,726
Due from other funds	121,726	-	-	121,726
Prepaid expenses	41,726	-	-	41,726
Total Assets	\$ 9,564,783	\$ 1,065,412	\$ 742,089	\$ 11,372,284
<u>Liabilities</u>				
Accounts payable	\$ 106,848	\$ 3,717	\$ -	\$ 110,565
Due to other funds	-	121,726	-	121,726
Accrued payroll and related expenses	1,274,881	404,673	-	1,679,554
Deferred revenues	-	535,296	-	535,296
Total Liabilities	1,381,729	1,065,412	-	2,447,141
<u>Fund Balances</u>				
Reserved	5,745,475	-	742,089	6,487,564
Unreserved	2,437,579	-	-	2,437,579
Total Fund Balances	8,183,054	-	742,089	8,925,143
Total Liabilities and Fund Balances	\$ 9,564,783	\$ 1,065,412	\$ 742,089	\$ 11,372,284

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

Total Governmental Fund Balances **\$ 8,925,143**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. 23,069,837

Bond discounts and issue costs are financial uses and are reported as expenditures in governmental funds. This amount should be capitalized in the district-wide financial statements and expensed over the life of the bond. 158,308

Certain liabilities, such as bond obligations, capital lease obligations, accrued sick leave, and interest payable, are not due and payable in the current period and therefore are not reported in the governmental funds. (11,404,059)

Total Net Assets of Governmental Activities **\$ 20,749,229**

The accompanying notes are an integral part of this financial statement.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Special Revenue (Grant) Fund	Capital Project Funds	Total Governmental Funds
Revenues				
From local sources:				
Taxes:				
Property	\$ 2,435,095	\$ -	\$ 369,107	\$ 2,804,202
Motor vehicle	506,434	-	-	506,434
Utility	621,443	-	-	621,443
Tuition and textbook fees	31,475	130,216	-	161,691
Transportation reimbursement	66,810	-	-	66,810
Interest income	203,694	-	15,817	219,511
Other income	252,392	36,617	-	289,009
Intergovernmental - state	12,034,590	816,351	576,552	13,427,493
Intergovernmental - indirect federal	-	1,984,322	-	1,984,322
Intergovernmental - intermediate	-	78,883	-	78,883
Intergovernmental - direct federal	39,586	918,466	-	958,052
Total Revenues	16,191,519	3,964,855	961,476	21,117,850
Expenditures				
Current:				
Instruction	8,341,156	3,266,290	-	11,607,446
Support services:				
Student	401,557	131,201	-	532,758
Instructional staff	289,722	205,092	-	494,814
District administration	820,419	65,052	2,400	887,871
School administration	1,186,207	76,177	-	1,262,384
Business	470,332	31,027	-	501,359
Plant operations and maintenance	1,977,288	6,159	-	1,983,447
Student transportation	1,424,207	45,622	-	1,469,829
Community services	60,465	364,918	-	425,383
Food service	3,500	-	-	3,500
Capital outlay	-	-	167,469	167,469
Debt service:				
Payment of principal	105,691	-	434,218	539,909
Payment of interest	17,034	-	339,168	356,202
Total Expenditures	15,097,578	4,191,538	943,255	20,232,371
Excess (Deficiency) of Revenues over Expenditures	1,093,941	(226,683)	18,221	885,479
Other Financing Sources (Uses)				
Operating transfers in	-	226,683	163,465	390,148
Operating transfers out	(240,355)	-	(149,793)	(390,148)
Total Other Financing Sources (Uses)	(240,355)	226,683	13,672	-
Special Item				
Proceeds from sale of fixed assets	239	-	-	239
Net Changes in Fund Balances	853,825	-	31,893	885,718
Fund Balances - Beginning of Year	7,329,229	-	710,196	8,039,425
Fund Balances - End of Year	\$ 8,183,054	\$ -	\$ 742,089	\$ 8,925,143

The accompanying notes are an integral part of this financial statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES

Net Changes in Fund Balances - Total Governmental Funds **\$ 885,718**

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlay as expenditures. However, in the
Statement of Activities, the cost of those assets is allocated over their
estimated useful lives as depreciation expense. This is the amount by
which depreciation exceeded capital outlay in the current period. (192,477)

In the Statement of Activities, only the loss on the sale of fixed assets is
reported, whereas in the governmental funds, the entire proceeds from the
sale increase financial resources. (7,199)

Repayment of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the Statement of Net
Assets and does not affect the Statement of Activities. 539,909

Bond discounts and issue costs are reported as financing uses in
governmental funds and thus contribute to the change in fund balance.
In the statement of activities, these costs are capitalized and amortized
over the life of the respective bond. (12,075)

The increased amount of interest reported in the Statement of Activities is
the result of the following:

Interest is recorded as an expenditure when due in the governmental funds and as it accrues in the Statement of Activities.	5,467	
In the Statement of Activities, the portion of interest paid by the School Facility Construction Commission is included in program expenses.	(72,928)	(67,461)

In the Statement of Activities, sick leave is measured by the amount earned
during the year. In governmental funds, however, expenditures for this
item are measured by the amount actually paid. 9,606

In the Statement of Activities, the portion of debt paid by the School Facility
Construction Commission is included in program revenues. 213,709

Change in net assets of governmental activities **\$1,369,730**

BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	<u>Enterprise Fund</u>
<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$ 483,285
Inventory	<u>30,451</u>
Total Current Assets	<u>513,736</u>
Noncurrent Assets	
Capital assets	844,426
Less: accumulated depreciation	<u>(549,606)</u>
Total Noncurrent Assets	<u>294,820</u>
Total Assets	<u><u>\$ 808,556</u></u>
<u>Liabilities</u>	
Current Liabilities	
Accounts payable	\$ 315
Accrued payroll and related expenses	<u>74,833</u>
Total Current Liabilities	<u>75,148</u>
<u>Net Assets</u>	
Invested in capital assets	294,820
Unrestricted	<u>438,588</u>
Total Net Assets	<u>733,408</u>
Total Liabilities and Net Assets	<u><u>\$ 808,556</u></u>

BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Enterprise Fund
Operating Revenues	
Lunchroom sales	\$ 460,412
Other operating revenues	2,101
Total Operating Revenues	<u>462,513</u>
Operating Expenses	
Salaries and wages	679,847
Contract services	55,518
Materials and supplies	718,162
Depreciation	54,018
Other operating expenses	4,731
Total Operating Expenses	<u>1,512,276</u>
Operating Loss	<u>(1,049,763)</u>
Non-operating Revenues	
Federal grants	827,673
State grants	123,853
Donated commodities	79,284
Interest income	10,143
Total Non-operating Revenues	<u>1,040,953</u>
Change in Net Assets	(8,810)
Total Net Assets - Beginning of Year	<u>742,218</u>
Total Net Assets - End of Year	<u><u>\$ 733,408</u></u>

The accompanying notes are an integral part of this financial statement.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Enterprise Fund
Cash Flows from Operating Activities	
Cash received from user charges	\$ 460,412
Cash received from other operating revenues	2,101
Cash payments to employees for services	(670,621)
Cash payments for contract services	(55,518)
Cash payments to suppliers for goods and services	(625,959)
Cash payments for other operating expenses	(4,731)
Net Cash Used by Operating Activities	<u>(894,316)</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	(3,295)
Federal grants	827,673
State grants	123,853
Net Cash Provided by Capital and Related Financing Activities	<u>948,231</u>
Cash Flows from Investing Activities	
Interest income	<u>10,143</u>
Net Increase in Cash and Cash Equivalents	64,058
Cash and Cash Equivalents - Beginning of Year	<u>419,227</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 483,285</u></u>
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (1,049,763)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	54,018
Commodities used	79,284
Changes in assets and liabilities:	
Decrease in inventory	13,345
Decrease in accounts payable	(426)
Increase in accrued payroll	9,226
Net Cash Used by Operating Activities	<u><u>\$ (894,316)</u></u>
Schedule of non-cash transactions	
Donated commodities received from federal government	<u><u>\$ 79,284</u></u>

The accompanying notes are an integral part of this financial statement.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2005

	<u>Agency Fund</u>
<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$ 226,366
Accounts receivable	<u>3,724</u>
Total Current Assets	<u><u>230,090</u></u>
<u>Liabilities</u>	
Current Liabilities	
Accounts payable	6,568
Due to students and teachers	<u>223,522</u>
Total Current Liabilities	<u><u>230,090</u></u>
Net Assets Held in Trust	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this financial statement.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Breckinridge County Board of Education (Board), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Breckinridge County School District (District). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies that may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the operation of the Breckinridge County Board of Education. The basic financial statements presented herein do not include funds of groups and organizations, such as Band Boosters, Parent-Teacher Associations, etc., which although associated with the school system, have not originated within the Board itself.

The basic financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the basic financial statements of the following organization is included in the accompanying basic financial statements:

Breckinridge County School District Finance Corporation

On October 22, 1991, the Breckinridge County Board of Education resolved to authorize the establishment of the Breckinridge County School District Finance Corporation (Corporation) (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency for the District for financing the costs of school building facilities. The Board Members of the Breckinridge County Board of Education also comprise the Corporation's Board of Directors.

The accounting policies of the Breckinridge County School District Finance Corporation substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

Basis of Presentation

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY (CONTINUED)

Basis of Presentation (Continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than fund types. Each major fund is presented in a separate column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY (CONTINUED)

Basis of Presentation (Continued)

- (B) The Special Revenue (Grant) Fund accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing projects identified in the district's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

II. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U. S. Department of Agriculture (USDA).

The District applies all GASB pronouncements to the proprietary fund as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY (CONTINUED)

Basis of Presentation (Concluded)

III. Fiduciary Fund (Agency Fund)

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activities are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY (CONTINUED)

Basis of Accounting (Concluded)

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings, which are mailed by November 1, are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. A discount is offered through November 30 and a penalty is assessed after December 31. Property taxes collected are recorded as revenues in the fiscal year for which they were levied.

The property tax rates assessed for the year ended June 30, 2005, to finance the General Fund operations were \$.429 per \$100 valuation for real property, \$.435 per \$100 valuation for business personal property and \$.557 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic communication services, cablevision services, electric power, water, and natural gas.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary fund are reported both in the business-type activities column of the government-wide statement of net assets and in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000 with the exception of workstations and theft-sensitive items, for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized, but the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY (CONTINUED)

Capital Assets (Concluded)

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	25-50 years
Land improvements	10-20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	5-12 years
General equipment	5-20 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as due to/from other funds. Unless there are net residual amounts due between governmental and business-type activities, these amounts are eliminated in the Statement of Net Assets.

Accumulated Unpaid Sick Leave Benefits

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than accounting principles generally accepted in the United States of America (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP). Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY (CONTINUED)

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of goods or services. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2005.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less to be cash equivalents.

Inventory

Supplies and materials are charged to expenditures when purchased, with the exception of the Proprietary Fund Type, which records inventory using the accrual basis of accounting. Inventory in this fund consists of food and supplies and is stated at cost.

Prepaid Items/Expenses

Payments made that will benefit periods beyond June 30, 2005 are recorded as prepaid items/expenses using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and an expenditure/expense is reported in the year in which services are consumed.

Payables, Accrued Liabilities, and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements and in the proprietary fund financial statements.

In general, payables, accrued liabilities, and long-term obligations that will be paid from governmental funds are reported on the government-wide financial statements regardless of whether they will be liquidated with current resources. However, these amounts are not recognized as liabilities in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

REPORTING ENTITY (CONCLUDED)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Interfund Activity

Exchange transactions between funds are reported as revenues in the "seller" funds and as expenditures/expenses in the "purchaser" funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

NOTE B - ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C - CASH AND CASH EQUIVALENTS

Deposits of the District are categorized below to give an indication of the level of risk assumed at year-end. Amounts listed represent cash balances as reflected by the financial institutions and are not indicative of balances per the District's records. Category A includes deposits that are uninsured and collateralized with securities held by the pledging financial institution. Category B includes cash that is uninsured and uncollateralized. The District does not have policies regarding custodial credit risk.

	<u>A</u>	<u>B</u>
District	\$11,205,662	\$215,388

Cash and cash equivalents at June 30, 2005, consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Governmental and proprietary funds	\$11,385,223	\$10,711,569
Fiduciary funds	235,827	226,366
	<u>\$11,621,050</u>	<u>\$10,937,935</u>

BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE D - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Dispositions	Balance June 30, 2005
<u>Governmental Activities</u>				
Not Depreciated:				
Land	\$ 451,448	\$ -	\$ -	\$ 451,448
Construction in progress	563,894	162,549	55,608	670,835
Subtotal	1,015,342	162,549	55,608	1,122,283
Depreciated:				
Land improvements	3,191,696	76,087	-	3,267,783
Buildings	24,437,545	430,491	-	24,868,036
Technology equipment	3,199,591	111,091	381,503	2,929,179
Vehicles	3,978,333	306,047	21,000	4,263,380
General equipment	1,839,919	197,906	10,321	2,027,504
Subtotal	36,647,084	1,121,622	412,824	37,355,882
Less accumulated depreciation for:				
Land improvements	1,910,304	139,185	-	2,049,489
Buildings	6,731,611	535,144	-	7,266,755
Technology equipment	2,120,492	337,787	377,152	2,081,127
Vehicles	2,506,038	311,073	21,000	2,796,111
General equipment	1,124,469	97,851	7,474	1,214,846
Subtotal	14,392,914	1,421,040	405,626	15,408,328
Capital Assets - Net	\$23,269,512	\$(136,869)	\$ 62,806	\$23,069,837
 <u>Business-Type Activities</u>				
Depreciated:				
General equipment	\$845,881	\$ 895	\$4,750	\$842,026
Technology equipment	-	2,400	-	2,400
Subtotal	845,881	3,295	4,750	844,426
Less accumulated depreciation for:				
General equipment	500,338	53,753	4,750	549,341
Technology equipment	-	265	-	265
Subtotal	500,338	54,018	4,750	549,606
Capital Assets - Net	\$345,543	\$(50,723)	\$ -	\$294,820

Depreciation expense was charged to functions in the Statement of Activities as follows:

Instruction	\$ 449,872
Support services:	
Student	479
District administration	629,603
Plant operations and maintenance	51,375
Student transportation	289,711
	<u>\$1,421,040</u>

BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE E - BONDED DEBT AND LEASE OBLIGATIONS

A portion of the amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Breckinridge County (Kentucky) School District Finance Corporation aggregating \$11,405,000.

The original amount of the bond issue, the issue dates, interest rates, and outstanding balance at June 30, 2005 are summarized below:

1999

Issuer	Breckinridge County (Kentucky) School District Finance Corporation
Date of first issue	May 1, 1999
Interest rates	4.00%; 4.10%; 4.25%; 4.30%; 4.40%; 4.50%; 4.60%; 4.65%; 4.70%; 4.75%
Date retiring bonds due	May 1 each year
Dates interest due	May 1 and November 1 each year
Call provisions	@ 101 May 1, 2009
Amount of original issue	\$2,155,000
Outstanding, June 30, 2005	\$1,685,000

2000

Issuer	Breckinridge County (Kentucky) School District Finance Corporation
Date of first issue	December 1, 2000
Interest rates	5.00%; 5.15%
Date retiring bonds due	December 1 each year
Dates interest due	December 1 and June 1 each year
Amount of original issue	\$1,720,000
Outstanding, June 30, 2005	\$1,545,000

2003

Issuer	Breckinridge County (Kentucky) School District Finance Corporation
Date of first issue	July 1, 2003
Interest rates	1.2%; 1.35%; 1.55%; 1.9%; 2.25%; 2.5%; 3%; 3.2%; 3.25%; 3.375%; 3.5%; 3.6%; 3.7%; 3.875%; 4%
Date retiring bonds due	February 1 each year
Dates interest due	February 1 and August 1 each year
Amount of original issue	\$6,795,000
Outstanding, June 30, 2005	\$6,710,000

BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE E - BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

2004

Issuer	Breckinridge County (Kentucky) School District Finance Corporation
Date of first issue	February 1, 2004
Interest rates	2.5%; 3.5%; 4%; 4.2%; 4.4%
Date retiring bonds due	February 1 each year
Dates interest due	February 1 and August 1 each year
Amount of original issue	\$735,000
Outstanding, June 30, 2005	\$720,000

The District is obligated to make lease payments through the General Fund, which includes utility taxes, and the SEEK Capital Outlay Fund in amounts sufficient to satisfy debt service requirements on bonds issued by the Breckinridge County (Kentucky) School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

On February 1, 1994, the Breckinridge County School District issued \$9,450,000 in School Building Revenue Bonds with an average interest rate of 5.0474%. The net proceeds of \$9,242,540 (after payment of \$58,050 in fiscal agency fees and \$189,000 of discount on bonds plus \$39,590 in accrued interest) were used to provide \$9,202,950 for construction of a new high school and \$39,590 to open the Bond and Redemption Fund for the 1994 Issue. The District advance refunded \$6,385,000 of these bonds with the 2003 Issue and the remaining amount was defeased prior to year-end.

On May 1, 1999, the Breckinridge County School District issued \$2,155,000 in School Building Revenue Bonds with an average interest rate of 4.3825%. The net proceeds of \$2,099,244 (after payment of \$25,720 in fiscal agency fees and \$38,298 of discount on bonds plus \$8,262 in accrued interest) were used to provide \$2,090,982 for construction of an addition to Custer Elementary School and \$8,262 to open the Bond and Redemption Fund for the 1999 Issue.

On December 1, 2000, the Breckinridge County School District issued \$1,720,000 in School Building Revenue Bonds with an average interest rate of 5.0793%. The net proceeds of \$1,664,490 (after payment of \$25,700 in fiscal agency fees and \$34,400 of discount on bonds plus \$4,590 in accrued interest) were used to provide \$1,238,500 for construction of an addition to Ben Johnson School, \$421,400 for renovations to Hardinsburg Elementary School, and \$4,590 to open the Bond and Redemption Fund for the 2000 Issue.

On July 1, 2003, the Breckinridge County School District issued \$6,795,000 in School Building Revenue Bonds with interest rates ranging from 1.2% to 4% to advance refund \$6,385,000 of outstanding 1994-series bonds with an average interest rate of 4.3825%. The net proceeds of \$6,663,048 (after payment of \$109,813 in fiscal agency fees and \$42,020 of discount on bonds plus \$19,881 in accrued interest) were used to provide \$6,640,876 to refund outstanding revenue bonds issued in 1994 and \$22,172 to open the Bond and Redemption Fund for the 2003 Issue.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE E - BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

On February 1, 2004, the Breckinridge County School District issued \$735,000 in School Building Revenue Bonds with interest rates ranging from 2.5% to 4.4%. The net proceeds of \$709,568 (after payment of \$14,585 in fiscal agency fees and \$14,700 of discount on bonds plus \$3,853 in accrued interest) were used to provide \$702,731 for construction of a football field house and \$6,837 to open the Bond and Redemption Fund for the 2004 Issue.

In July 1985, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission (Commission). The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the government-wide financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2005 for debt service (principal and interest) are as follows:

Year	DISTRICT		COMMISSION		Total
	Principal	Interest	Principal	Interest	Principal
2005-06	\$455,389	\$319,062	\$144,611	\$67,357	\$600,000
2006-07	467,136	308,593	147,864	64,102	615,000
2007-08	478,438	296,569	151,562	60,405	630,000
2008-09	489,279	282,966	155,721	56,247	645,000
2009-10	504,574	268,097	160,426	51,541	665,000
2010-11	524,678	252,547	165,322	46,646	690,000
2011-12	539,034	234,441	170,966	41,001	710,000
2012-13	557,944	214,779	177,056	34,910	735,000
2013-14	577,634	194,303	187,366	28,517	765,000
2014-15	598,982	172,378	66,018	21,497	665,000
2015-16	626,001	149,098	68,999	18,517	695,000
2016-17	647,860	124,339	72,140	15,375	720,000
2017-18	674,576	98,171	75,424	12,092	750,000
2018-19	706,140	69,819	78,860	8,657	785,000
2019-20	328,669	35,403	21,331	5,023	350,000
2020-21	347,773	18,824	22,227	4,127	370,000
2021-22	61,839	8,686	23,161	3,194	85,000
2022-23	65,820	5,965	24,180	2,175	90,000
2023-24	69,756	3,069	25,244	1,111	95,000
	<u>\$8,721,522</u>	<u>\$3,057,109</u>	<u>\$1,938,478</u>	<u>\$542,494</u>	<u>\$10,660,000</u>

BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE E - BONDED DEBT AND LEASE OBLIGATIONS (CONCLUDED)

Changes in long-term debt were as follows:

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Revenue Bonds	\$11,235,000	\$ -	\$575,000	\$10,660,000
Capital Leases	494,232	-	105,691	388,541
	<u>\$11,729,232</u>	<u>\$ -</u>	<u>\$680,691</u>	<u>\$11,048,541</u>

NOTE F - CAPITAL LEASES PAYABLE

During the year ended June 30, 2002, the District borrowed money from the KISTA bond pool to purchase new buses.

In May 2004, the District signed a lease agreement with Old National Bank for the purchase of laptop computers. The District will make three annual lease payments of \$84,191 and a final payment at \$14,200, all of which include interest.

The following is a schedule by years of the future minimum obligations due as of June 30, 2005:

Year Ending June 30,	Principal	Interest
2006	\$105,302	\$17,364
2007	110,097	12,649
2008	45,359	7,388
2009	32,752	5,696
2010	34,241	4,304
2011 - 2012	60,790	4,255
Total	<u>\$388,541</u>	<u>\$51,656</u>

NOTE G - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, a qualified employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2005, this amount totaled \$231,879 for those eligible. Eligible employees include classified and certified personnel with 27 or more years of service and certain classified employees with 20 or more years of service. The total value of accumulated sick leave is included as a reserved portion of the general fund.

NOTE H - COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provide the minimum future rental payments as of June 30, 2005 as follows:

Year Ending June 30,	
2006	\$29,017
2007	29,017
2008	21,348
2009	7,895
Total	<u>\$87,277</u>

BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE I - RETIREMENT PLANS

The Breckinridge County School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple-employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by the KY Department of Education (KDE).

The Breckinridge County School District's total payroll for the year was \$12,394,534. The payroll for employees covered under KTRS was \$9,019,278. For the year ended June 30, 2005, the Commonwealth contributed \$1,024,990 to KTRS for the benefit of the District's participating employees. The School District's contributions to KTRS for the year ended June 30, 2005 were \$156,986, which represents those employees covered by federal programs.

Substantially all other employees (classified personnel) are covered under County Employee's Retirement System (CERS), a cost-sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5.00% and a District contribution of 7.34% of the employee's total compensation subject to contribution.

The total payroll for employees covered under CERS was \$3,219,740. The contribution requirement for CERS for the year ended June 30, 2005 was \$434,023, which consisted of \$273,034 from the District and \$160,987 from the employees.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

As the District is only one of several employers participating in the plan, it is not practical to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the plan assets.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE J - COMMITMENTS AND CONTINGENCIES

The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicted upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

During the year ended June 30, 2004, the Board approved two construction projects. Although these projects were later placed on hold, the Board eventually expects to complete the projects. The anticipated cost of a library media center at Hardinsburg Elementary School is \$1,075,000, while four new classrooms and a kitchen/commons area enlargement at Ben Johnson Elementary School is estimated at \$1,644,224. Construction in progress includes \$29,712 in architectural fees for both projects.

NOTE K - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain retrospectively rated policies, which include worker's compensation insurance.

For the year ended June 30, 2005, the District received \$58,022 in insurance proceeds for the restoration of impaired capital assets.

NOTE L - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Fund.

These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE L - RISK MANAGEMENT (CONCLUDED)

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE M - DEFICIT OPERATING/FUND BALANCES

No funds of the District ended the year with a deficit balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance.

Proprietary Fund	FSPK Fund	Construction Fund
------------------	-----------	-------------------

NOTE N - COBRA

Under COBRA, employers are mandated to notify terminated employees of the availability of continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE O - TRANSFER OF FUNDS

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Special Revenue	\$128,274	Innovative Grant
General	Special Revenue	33,131	Technology Match
General	Special Revenue	36,223	Medicaid
General	Special Revenue	25,000	Textbooks
General	Special Revenue	3,159	WHAS
General	Special Revenue	896	Miscellaneous
General	Building	13,672	SEEK
Construction	Building	6,837	Interest
Building	Construction	134,224	SFCC offer
Building	Construction	8,732	Construction

NOTE P - ON-BEHALF PAYMENTS

For the year ended June 30, 2005, total net payments of \$2,529,047 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and are recorded in the Statement of Activities as both revenues and expenses during the current year. In addition, debt service payments made by the SFCC on behalf of the District totaled \$213,709, and this amount is also included as revenues in the Statement of Activities; however only the amount attributed to interest expense is included as expenses. On-behalf payments are not budgeted in the budget and actual statements.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE Q - BUDGET VIOLATIONS

During the 2005 fiscal year, the District incurred line item expenditures in excess of budget. These expenditures were within the general and special revenue funds.

NOTE R - RESERVED FUND BALANCES

The General Fund reserved fund balances are as follows:

Sick leave	\$ 231,879
Classified retirement matching	60,000
Site-based decision making councils	31,505
Technology	581,210
Energy inflation	200,000
Energy management	315,000
Trust/agency	79,023
Buses	276,000
Curriculum and program development	708,065
Innovative grants	250,000
BCHS textbooks	40,000
Encumbrances	306,544
Year-end maintenance and supplies	95,939
Records room	100,000
Water treatment plant	100,000
Kitchen update	35,000
Student insurance	40,000
Capital improvement and equipment	<u>2,295,310</u>
Total	<u>\$5,745,475</u>

NOTE S - CHANGE IN ACCOUNTING STANDARDS

During the fiscal year ended June 30, 2005, the District implemented two new statements issued by the Governmental Accounting Standards Board (GASB). GASB Statement 40, *Deposit and Investment Risk Disclosures - an Amendment of GASB Statement 3*, revises the required disclosures regarding risks associated with deposits and investments. GASB Statement 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, provides guidance for accounting for the impairment of capital assets and insurance recoveries.

NOTE T - BUDGETARY BASIS OF ACCOUNTING

The District's budgetary basis of accounting used for budget versus actual reporting differs from accounting principles generally accepted in the United States of America (GAAP). The budget and all transactions are presented in accordance with the District's budgetary basis in the budget and actual statements for the General Fund and Special Revenue Fund to provide a meaningful comparison of actual results with the budget. The major difference between budgetary and GAAP bases for the General Fund is the exclusion of on-behalf payments in budget amounts. There are no major differences between budgetary and GAAP bases for the Special Revenue Fund.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE T - BUDGETARY BASIS OF ACCOUNTING (CONCLUDED)

A reconciliation of the different bases of revenue and expenditure recognition for the year ended June 30, 2005 is as follows:

<u>General Fund</u>	
Revenues, GAAP basis	\$16,191,519
<i>Deduct:</i>	
On-behalf payments	<u>2,529,047</u>
Revenues, budgetary basis	<u>\$13,662,472</u>
Expenditures, GAAP basis	\$15,097,578
<i>Deduct:</i>	
On-behalf payments	<u>2,529,047</u>
Expenditures, budgetary basis	<u>\$12,568,531</u>

SUPPLEMENTARY INFORMATION

BRECKINRIDGE COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT FUNDS
 JUNE 30, 2005

	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Total Capital Project Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 179,298	\$ 350,610	\$ 212,181	\$ 742,089
Total Assets	<u>\$ 179,298</u>	<u>\$ 350,610</u>	<u>\$ 212,181</u>	<u>\$ 742,089</u>
<u>Fund Balances</u>				
Reserved for capital outlay	\$ 179,298	\$ 350,610	\$ 212,181	\$ 742,089
Total Fund Balances	<u>\$ 179,298</u>	<u>\$ 350,610</u>	<u>\$ 212,181</u>	<u>\$ 742,089</u>

BRECKINRIDGE COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Total Capital Project Funds
Revenues				
From local sources:				
Property taxes	\$ -	\$369,107	\$ -	\$ 369,107
Interest income	2,466	11,208	2,143	15,817
Intergovernmental - state	240,320	336,232	-	576,552
Total Revenues	<u>242,786</u>	<u>716,547</u>	<u>2,143</u>	<u>961,476</u>
Expenditures				
Contract services	2,400	-	-	2,400
Capital outlay	-	-	167,469	167,469
Debt service:				
Payment of principal	-	434,218	-	434,218
Payment of interest	138,294	200,874	-	339,168
Total Expenditures	<u>140,694</u>	<u>635,092</u>	<u>167,469</u>	<u>943,255</u>
Excess (Deficiency) of Revenues over Expenditures	<u>102,092</u>	<u>81,455</u>	<u>(165,326)</u>	<u>18,221</u>
Other Financing Sources (Uses)				
Operating transfers in	-	20,509	142,956	163,465
Operating transfers out	-	(142,956)	(6,837)	(149,793)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(122,447)</u>	<u>136,119</u>	<u>13,672</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>102,092</u>	<u>(40,992)</u>	<u>(29,207)</u>	<u>31,893</u>
Fund Balances - Beginning of Year	<u>77,206</u>	<u>391,602</u>	<u>241,388</u>	<u>710,196</u>
Fund Balances - End of Year	<u>\$ 179,298</u>	<u>\$350,610</u>	<u>\$ 212,181</u>	<u>\$ 742,089</u>

BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance from
	Original	Final	(Budgetary Basis)	Final Budget Favorable (Unfavorable)
Revenues				
From local sources:				
Taxes:				
Property	\$ 2,150,000	\$ 2,150,000	\$2,435,095	\$ 285,095
Motor vehicle	525,000	525,000	506,434	(18,566)
Utility	540,000	540,000	621,443	81,443
Tuition and textbook fees	5,000	5,000	31,475	26,475
Transportation reimbursement	25,000	25,000	66,810	41,810
Interest income	150,000	150,000	203,694	53,694
Other income	294,263	294,263	252,392	(41,871)
Intergovernmental - state	9,250,505	9,250,505	9,505,543	255,038
Intergovernmental - direct federal	5,000	5,000	39,586	34,586
Total Revenues	12,944,768	12,944,768	13,662,472	717,704
Expenditures				
Instruction	7,158,111	7,154,608	6,582,416	572,192
Support services:				
Student	321,352	324,562	314,045	10,517
Instructional staff	219,537	222,415	217,057	5,358
District administration	2,336,223	2,326,523	739,363	1,587,160
School administration	1,082,564	1,084,394	1,019,346	65,048
Business	404,113	404,303	392,085	12,218
Plant operations and maintenance	2,406,591	2,425,981	1,870,900	555,081
Student transportation	1,410,473	1,396,178	1,307,094	89,084
Food service	2,608	2,608	3,500	(892)
Debt service:				
Payment of principal	94,578	94,578	105,691	(11,113)
Payment of interest	7,000	7,000	17,034	(10,034)
Total Expenditures	15,443,150	15,443,150	12,568,531	2,874,619
Excess (Deficiency) of Revenues over Expenditures	(2,498,382)	(2,498,382)	1,093,941	3,592,323
Other Financing Uses				
Operating transfers out	-	-	(240,355)	(240,355)
Special Item				
Proceeds from sale of fixed assets	3,000	3,000	239	(2,761)
Net Changes in Fund Balance	(2,495,382)	(2,495,382)	853,825	3,349,207
Fund Balance - Beginning of Year	2,495,382	2,495,382	7,329,229	4,833,847
Fund Balance - End of Year	\$ -	\$ -	\$8,183,054	\$ 8,183,054

The accompanying notes are an integral part of this financial statement.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance from Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
From local sources:				
Tuition and textbook fees	\$ 122,866	\$ 122,865	\$ 130,216	\$ 7,351
Other income	210,057	158,597	36,617	(121,980)
Intergovernmental - state	669,712	717,775	816,351	98,576
Intergovernmental - indirect federal	1,828,966	1,989,085	1,984,322	(4,763)
Intergovernmental - intermediate	88,954	88,954	78,883	(10,071)
Intergovernmental - direct federal	923,594	927,595	918,466	(9,129)
Total Revenues	<u>3,844,149</u>	<u>4,004,871</u>	<u>3,964,855</u>	<u>(40,016)</u>
Expenditures				
Instruction	3,394,962	3,297,852	3,266,290	31,562
Support services:				
Student	145,214	152,050	131,201	20,849
Instructional staff	222,166	245,218	205,092	40,126
District administration	195,551	170,115	65,052	105,063
School administration	85,352	85,352	76,177	9,175
Business	33,499	33,499	31,027	2,472
Plant operations and maintenance	4,873	4,873	6,159	(1,286)
Student transportation	50,972	42,295	45,622	(3,327)
Community services	362,485	362,485	364,918	(2,433)
Total Expenditures	<u>4,495,074</u>	<u>4,393,739</u>	<u>4,191,538</u>	<u>202,201</u>
(Deficiency) of Revenues over Expenditures	<u>(650,925)</u>	<u>(388,868)</u>	<u>(226,683)</u>	<u>162,185</u>
Other Financing Sources (Uses)				
Operating transfers in	670,925	388,868	226,683	(162,185)
Operating transfers out	(20,000)	-	-	-
Total Other Financing Sources (Uses)	<u>650,925</u>	<u>388,868</u>	<u>226,683</u>	<u>(162,185)</u>
Net Changes in Fund Balance	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
BRECKINRIDGE COUNTY HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Cash Balances July 1, 2004	Receipts	Disbursements	Transfers In (Out)	Cash Balances June 30, 2005	Accounts Receivable June 30, 2005	Accounts Payable June 30, 2005	Fund Balances June 30, 2005
ACCOUNTS:								
Art	\$ 913	\$ 1,056	\$ 2,017	\$ 48	\$ -	\$ 73	\$ -	\$ 73
Art Club	125	206	200	(25)	106	-	-	106
Athletics	11,554	89,150	87,188	3,779	17,295	-	469	16,826
Band	-	-	2,000	2,000	-	-	-	-
Boys Regional Tourney	-	4,877	4,617	(260)	-	-	-	-
Concessions	8,515	35,285	21,288	(11,970)	10,542	-	-	10,542
Correspondence	5,854	5,330	7,774	-	3,410	100	-	3,510
Eleventh District Tourney	-	110	-	(110)	-	-	-	-
FCA	152	1,691	1,544	-	299	-	-	299
FEA	697	160	851	-	6	-	-	6
FFA	574	17,590	15,186	(1,850)	1,128	-	597	531
FHA	1,174	2,641	3,170	1	646	-	-	646
Flower Fund	305	50	368	21	8	-	-	8
FMD	-	758	105	(12)	641	-	-	641
General	17,774	46,859	53,087	(3,374)	8,172	1,334	3	9,503
Girls Regional	-	1,905	1,645	(260)	-	-	-	-
Greenhouse	14,274	10,236	12,638	100	11,972	-	929	11,043
Mock Trial	819	970	1,197	(45)	547	-	-	547
Music Club	255	604	550	(25)	284	-	-	284
National Honor Society	401	1,155	1,436	(35)	85	-	-	85
Project Graduation	601	30,456	30,160	(205)	692	-	-	692
Prom	1,509	4,101	3,146	-	2,464	-	-	2,464
SADD	539	7,188	3,776	(757)	3,194	-	-	3,194
Spanish Club	678	1,764	1,726	(45)	671	-	-	671
Student Council	585	-	58	(78)	449	-	-	449
Teacher Concessions	-	2,273	1,630	(20)	623	-	-	623
Tiger Paws	-	9,435	13,409	12,492	8,518	-	-	8,518
Yearbook	16,631	35,260	27,374	630	25,147	20	-	25,167
Totals	<u>\$ 83,929</u>	<u>\$ 311,110</u>	<u>\$ 298,140</u>	<u>\$ -</u>	<u>\$ 96,899</u>	<u>\$ 1,527</u>	<u>\$ 1,998</u>	<u>\$ 96,428</u>

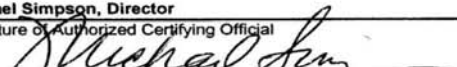
BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
ACTIVITY FUNDS BY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2005

	Cash Balances July 1, 2004	Receipts	Disbursements	Cash Balances June 30, 2005	Accounts Receivable June 30, 2005	Accounts Payable June 30, 2005	Fund Balances June 30, 2005
ACTIVITY FUND:							
Ben Johnson Elementary School	\$ 18,515	\$ 36,486	\$ 38,039	\$ 16,962	\$ 203	\$ 574	\$ 16,591
Custer Elementary School	13,542	31,242	28,588	16,196	-	30	16,166
Hardinsburg Elementary School	9,417	52,227	24,886	36,758	83	159	36,682
Irvington Elementary School	18,033	68,938	64,826	22,145	549	536	22,158
Breckinridge County Middle School	29,455	95,195	87,244	37,406	1,362	3,271	35,497
Totals	<u>\$ 88,962</u>	<u>\$ 284,088</u>	<u>\$ 243,583</u>	<u>\$ 129,467</u>	<u>\$ 2,197</u>	<u>\$ 4,570</u>	<u>\$ 127,094</u>

FINANCIAL STATUS REPORT

(Long Form)

(Follow instructions on the back)

1. Federal Agency and Organizational Element to Which Report is Submitted HHS/ACF/ACYF/Head Start		2. Federal Grant or Other Identifying Number Assigned By Federal Agency 04CH2675		OMB Approval No. 0348-0039	Page of Pages
3. Recipient Organization (Name and complete address, including ZIP code) Breckinridge County Head Start P.O. Box 148; 86 Airport Rd. Hardinsburg, KY 40143					
4. Employer Identification Number 61-6001288		5. Recipient Account Number or Identifying Number 04CH2675		6. Final Report <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	7. Basis <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual
8. Funding/Grant Period (See instructions) From: (Month, Day, Year) 7/1/2004		9. Period Covered by this Report From: (Month, Day, Year) 7/1/2004		To: (Month, Day, Year) 9/30/2005	
10. Transactions:		I Previously Reported		II This Period	
		III Cumulative			
a. Total outlays		\$1,146,052		\$13,057	
b. Refunds, rebates, etc.		\$0		\$0	
c. Program income used in accordance with the deduction alternative		\$0		\$0	
d. Net outlays (Line a, less the sum of lines b and c)		\$1,146,052		\$13,057	
Recipient's share of net outlays, consisting of:					
e. Third party (in-kind) contributions		\$231,899		\$0	
f. Other Federal awards authorized to be used to match this award		\$0		\$0	
g. Program income used in accordance with the matching or cost sharing alternative		\$0		\$0	
h. All other recipient outlays not shown on lines e, f or g		\$0		\$0	
i. Total recipient share of net outlays (Sum of lines e, f, g and h)		\$231,899		\$0	
j. Federal share of net outlays (line d less line i)		\$914,153		\$13,057	
k. Total unliquidated obligations		\$13,442		\$0	
l. Recipient's share of unliquidated obligations		\$0		\$0	
m. Federal share of unliquidated obligations		\$13,442		\$0	
n. Total Federal share (sum of lines j and m)		\$927,595		\$13,057	
o. Total Federal funds authorized for this funding period		\$927,595		\$927,595	
p. Unobligated balance of Federal funds (Line o minus line n)		\$0		\$914,538	
Program income, consisting of:					
q. Disbursed program income shown on lines c and/or g above		\$0		\$0	
r. Disbursed program income using the addition alternative		\$0		\$0	
s. Undisbursed program income		\$0		\$0	
t. Total program income realized (Sum of lines q, r and s)		\$0		\$0	
11. Indirect Expense		a. Type of Rate (Place check in appropriate box) <input type="checkbox"/> Provisional <input type="checkbox"/> Predetermined <input checked="" type="checkbox"/> Final <input type="checkbox"/> Fixed			
		b. Rate <input type="checkbox"/> N/A c. Base <input type="checkbox"/> N/A d. Total Amount <input type="checkbox"/> N/A e. Federal Share <input type="checkbox"/> N/A			
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation. Adminstrative Costs=\$84,000.00 T&TAS= \$13,650.00 Handicap= \$33959.53					
13. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.					
Typed or Printed Name and Title Michael Simpson, Director				Telephone (Area code, number and extension) 270-756-3116	
Signature of Authorized Certifying Official 				Date Report Submitted October 20, 2005	

Previous Edition Usable
NSN 7540-01-012-4285

269-104
200-498 P.O. 139 (Face)

Standard Form 269 (Rev. 7-97)
Prescribed by OMB Circulars A-102 and A-110

BRECKINRIDGE COUNTY SCHOOL DISTRICT
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2005

<u>Board Members</u>	<u>Address</u>	<u>Term Expires</u>
Tina Ford, Chairman	Hudson, KY	January, 2007
Allen Cole, Vice Chairman	Irvington, KY	January, 2007
Joe Hobbs	Harned, KY	January, 2009
Paula Burke ¹	Hardinsburg, KY	January, 2009
Wayne Fentress	Hardinsburg, KY	January, 2009

Administrative Personnel

Evelyn Neely, Superintendent

Richard Butler, Assistant Superintendent

Janet Meeks, Assistant Superintendent

Denise Smith, Finance Officer and Treasurer of the Board

Chris Jarboe, Secretary of the Board

¹ Replaced Gwen Powell January 2005



DRANE & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

209 East Third Street - P. O. Box 577
Hardinsburg, Kentucky 40143

Telephone (270) 756-5704
Fax (270) 756-5927
e-mail dandrane@bellsouth.net

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Kentucky State Committee for School District Audits
Members of the Board of Education
Breckinridge County School District
Hardinsburg, Kentucky

We have audited the basic financial statements of Breckinridge County School District as of and for the year ended June 30, 2005, and have issued our report thereon dated October 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Breckinridge County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05-5 through 05-7.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Breckinridge County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, which are described in the accompanying Schedule of Findings and Questioned Costs as items 05-8 through 05-9.

This report is intended solely for the information and use of the Board of Education, management, the Kentucky Department of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Drane & Company, PLLC
Certified Public Accountants

October 26, 2005



DRANE & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

209 East Third Street - P. O. Box 577
Hardinsburg, Kentucky 40143

Telephone (270)756-5704
Fax (270)756-5927
e-mail dandrane@bellsouth.net

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Kentucky State Committee for School District Audits
Members of the Board of Education
Breckinridge County School District
Hardinsburg, Kentucky

Compliance

We have audited the compliance of Breckinridge County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Breckinridge County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Breckinridge County School District's management. Our responsibility is to express an opinion on Breckinridge County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Breckinridge County School District's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Breckinridge County School District's compliance with those requirements.

In our opinion, Breckinridge County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and that are described in the accompanying Schedule of Findings and Questioned Costs as items 05-1 through 05-5.

Internal Control over Compliance

The management of Breckinridge County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Breckinridge County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Breckinridge County School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 05-6.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Education, management, the Kentucky Department of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Drane & Company, PLLC
Certified Public Accountants

October 26, 2005

BRECKINRIDGE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Local Code	Federal Expenditures
U.S. Department of Child Development			
Direct Programs:			
* Head Start	93.600	655X	<u>\$918,467</u>
Total U.S. Department of Child Development			<u>918,467</u>
U.S. Department of Agriculture			
Passed Through State Department of Education:			
* National School Lunch	10.555		591,423
* School Breakfast Program	10.553		236,250
State Matching	99.999		18,700
Passed Through State Department of Agriculture:			
In-Kind Commodities	10.550		<u>79,284</u>
Total U.S. Department of Agriculture			<u>925,657</u>
U.S. Department of Labor			
Passed Through Lincoln Trail Area Development District:			
Lincoln Trail Workforce Act	17.255	001X	<u>76,177</u>
Total U.S. Department of Labor			<u>76,177</u>
U. S. Department of Education			
Passed Through State Department of Education:			
* Title I Grants to Local Educational Agencies	84.010	310X	643,786
Migrant Education - Basic State Grant Program	84.011	311X	31,401
* Special Education - Grants to States	84.027	337X	523,125
Vocational Education - Basic Grants to States	84.048	348X	19,327
* Special Education - Preschool Grants	84.173	343X	19,693
Safe and Drug-Free Schools and Communities	84.184	406X	21,561
Even Start - State Educational Agencies	84.213	323X	74,007
Title V	84.270	334X	15,825
Title II - Teacher Quality	84.305	401X	165,213
Technology Literacy Challenge Grants	84.318	425X	106,757
Community Based Work Transition	84.324	371X	16,050
Advance Placement Incentive Program	84.330	385X	10,000
Gear Up	84.334	379X	75,054
Reading First - State Grants	84.357A	508X	<u>246,930</u>
Total U.S. Department of Education			<u>1,968,729</u>
Total			<u><u>\$3,889,030</u></u>

* Denotes major program

BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance in the form of commodities received and disbursed, which is equivalent to a fair market value of \$79,284, is reported in the schedule.

NOTE C - SUBRECIPIENT

The District was a pass-through entity for \$151,282 in Head Start/Preschool funds administered by the Cloverport Board of Education, an independent school district located in Breckinridge County.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Any material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Any reportable condition(s) identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> none reported
Any noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards

Internal control over major programs:

Any material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Any reportable condition(s) identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
--	---	-----------------------------

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553	School Breakfast Program
10.555	National School Lunch
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$500,000</u>
--	------------------

Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
--	------------------------------	--

Section II: Financial Statement Findings

Findings 05-6 through 05-9.

Section III: Federal Awards Findings

Findings 05-1 through 05-6.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

Finding: 05-1

Program: National School Lunch CFDA#: 10.553, 10.555
Program: Title I CFDA#: 84.010
Program: Special Education CFDA#: 84.027, 84.173
Program: Head Start CFDA#: 93.600

<i>Condition:</i>	The District did not maintain documentation of employee time and effort for those employees working solely on a single federal program. In addition, no time records were maintained for those employees that allocate time over various activities.
<i>Criteria:</i>	OMB Circular A-87, Attachment B, states that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications should be prepared semi-annually and signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Staff with duties covering multiple programs must allocate time based on actual time worked.
<i>Cause:</i>	There appears to be a lack of understanding of the federal requirements for the certification.
<i>Effect:</i>	The District did not adhere to the requirements of OMB Circular A-87. There are no questioned costs resulting from this noncompliance.
<i>Recommendation:</i>	The District should take immediate steps to comply with all provisions of OMB Circular A-87.

Finding: 05-2

Program: Technology Literacy Challenge CFDA#: 84.318

<i>Condition:</i>	The District failed to make a timely allocation to a Title II program that it administers at a private non-profit school (PNP).
<i>Criteria:</i>	The grant contains a provision regarding required allocation dates to PNPs.
<i>Cause:</i>	The due date fell during a personnel change, and neither staff member was aware that the allocation had not been made until it was past due.
<i>Effect:</i>	The District may not have complied with all grant requirements.
<i>Recommendation:</i>	Although the problem was corrected prior to year-end, we recommend more effort be made to ensure the PNP receives its allotted amount in a timely manner.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

Finding: 05-3

Program: Head Start

CFDA#: 93.600

<i>Condition:</i>	Employees with duties covering multiple programs must allocate time to the programs based on actual time worked.
<i>Criteria:</i>	OMB Circular A-87, Attachment B, states "where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation..." Such documentary support will be required where employees work on more than one federal award, or a federal award and a nonfederal award.
<i>Cause:</i>	The District's policies were insufficient to allocate employee salaries by program according to the actual time spent.
<i>Effect:</i>	Observation and inquiries indicate that the time for one staff member is charged 100% to Head Start when at least 50% of that time is actually spent on nonfederal and other federal programs resulting in \$12,035 (one half of the amount charged to the program for that staff member) questioned costs to the Head Start program.
<i>Recommendation:</i>	The District should establish a policy requiring time records that meet the specifications of OMB Circular A-87. Salaries and wages should be charged to a program based on the actual time spent on that program.

Finding: 05-4

Program: Head Start

CFDA#: 93.600

<i>Condition:</i>	Travel expenses for two state programs were charged to Head Start.
<i>Criteria:</i>	To be chargeable to a federal program, an expense must be incurred in the performance of that program.
<i>Cause:</i>	Account numbers are written on invoices prior to their entry into the accounting system. One invoice was coded correctly but was keyed in wrong when entered into the accounting system. The invoice for the other payment was coded incorrectly.
<i>Effect:</i>	Expenses for Head Start were overstated by \$633 and expenses for the state programs were understated by the same amount.
<i>Recommendation:</i>	We recommend more care be taken to ensure invoices are coded correctly and entered into the accounting system with the appropriate code.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

Finding: 05-5

Program: Head Start

CFDA#: 93.600

<i>Condition:</i>	The Head Start program incurred various travel expenses appearing in excess of reasonable expenditures and/or with insufficient documentation. Sales tax was occasionally paid, auto expense was reimbursed at a flat amount with no correlation to the actual miles driven, line items on a voucher did not add to the total amount claimed, and significant expenses were noted where multiple employees traveled to the same location.
<i>Criteria:</i>	To be chargeable to a federal program, an expense must be reasonable, incurred in the performance of the program, and supported by proper documentation.
<i>Cause:</i>	Room payments and travel vouchers were approved without regard to District policy or to the requirements of the program.
<i>Effect:</i>	While a projection of the cumulative effect of these errors did not meet the \$10,000 minimum threshold for a questioned cost, the insufficiency of controls could result in material violations of the grant.
<i>Recommendation:</i>	The District should institute additional monitoring of travel expenses, with an emphasis on the reasonableness of costs.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

Finding: 05-6

Program: National School Lunch CFDA#: 10.553, 10.555
 Program: Title I CFDA#: 84.010
 Program: Special Education CFDA#: 84.027, 84.173
 Program: Head Start CFDA#: 93.600

<i>Condition:</i>	Payments were made with inadequate supporting documentation, including expenditures from only a quote, vendor statement, or purchase order.
<i>Criteria:</i>	Effective internal control requires that payments be made only from an original vendor invoice supported by a receiving report and purchase order.
<i>Cause:</i>	While most payments are proper, occasionally, checks are issued without considering the adequacy of the underlying documents.
<i>Effect:</i>	Some disbursements were made with no evidence of the goods or services having been received and no documentation of the proper approval or authorization. For some payments, the District lacks evidence to support the claim of the expenditure as incurred in the performance of the program or function.
<i>Recommendation:</i>	Payment should be made only from original vendor invoices accompanied by a signed receiving report or packing slip (unless payment is for utilities and continuing contracts), and invoices should be reviewed and approved by the proper authority. When an invoice or statement indicates a balance forward, all necessary steps should be taken to ensure that payment has not already been made.
<i>Management Response:</i>	The District has implemented a procedure which requires two staff members to review all invoices and travel vouchers and check for accuracy. Greater effort will be made to ensure original invoices are received prior to payment being processed.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

Finding: 05-7

<i>Condition:</i>	Fixed assets and accumulated depreciation in the general ledger are not reconciled to the balances in the fixed asset module.
<i>Criteria:</i>	Accurate entries to depreciation expense and accumulated depreciation are dependent upon the calculations for individual assets in the fixed asset module.
<i>Cause:</i>	Two monthly depreciation entries were posted to the general ledger module but not the fixed asset module.
<i>Effect:</i>	Depreciation expense was overstated by \$235,000.
<i>Recommendation:</i>	In order to ensure entries are being posted properly, we recommend that the District make more effort to reconcile the balances in the fixed asset module to the balances in the general ledger module, including comparing year-to-date depreciation entries to the same period in the previous year.
<i>Management Response:</i>	The District has proper procedures in place to eliminate the depreciation error from occurring in the future.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

Finding: 05-8

<i>Condition:</i>	Although the amounts in the District's audited financial statements agree with the Board's adopted budget, the figures for some individual revenues and expenditures in the annual financial report (AFR) were negative.
<i>Criteria:</i>	As a budget's purpose is the adoption of a spending plan and the revenues required to fund the plan estimated as close as possible to the likely outcome, all issued reports should reflect the amounts adopted.
<i>Cause:</i>	An apparent anomaly in the MUNIS accounting system can cause adjustments covering multiple years to change the budget amounts reported.
<i>Effect:</i>	The AFR, as originally submitted, would not facilitate the reader's understanding of the District's actual results compared to those expected.
<i>Recommendation:</i>	The AFR should be reviewed prior to submission, and any necessary manual entries should be made to conform the reported amounts to the adopted budget.
<i>Management Response:</i>	All management reports, including those submitted to the Board, contain correct budget amounts. The situation creating the AFR problem has been identified, and future reports should reflect an accurate budget comparison.

Finding: 05-9

<i>Condition:</i>	School activity account budgets were not approved by the Board.
<i>Criteria:</i>	The <i>Accounting Procedures for Kentucky School Activity Funds</i> (Redbook) states that school activity account budget development should be consistent with KRS 160.470 related to the budget cycle. It further states that budgets should be submitted to the Board for approval, which should be complete by the end of May for the following year.
<i>Cause:</i>	There appears to be a lack of understanding of the state requirements.
<i>Effect:</i>	The District did not follow the guidelines in the Redbook.
<i>Recommendation:</i>	We recommend that the District adhere to the activity account budget policies and procedures outlined in the Redbook
<i>Management Response:</i>	The District has procedures in place to ensure the timely submission of budgets. Annual review of the Redbook guidelines will be implemented.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

There were no prior year findings.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2005

Reference

Number: Management Response:

- 05-1 The District will implement a Random Sample Audit for those individuals whose duties are allocated by some portion to the following programs: National School Lunch, Title I, Special Education, and Head Start. Certification will be completed semi-annually for those individuals working solely in a federal program.
Anticipated completion date: March 30, 2006
- 05-2 The District will develop a brief synopsis of each federal program, which will include requirements of the program, timelines, and responsibilities. This will be distributed to the Superintendent, Program Directors, and the Finance Officer.
Anticipated completion date: February 1, 2006
- 05-3 The District will implement a Random Sample Audit for those individuals whose duties are allocated by some portion to Head Start. Certification will be completed semi-annually for those individuals working solely in the Head Start Program.
Anticipated completion date: March 30, 2006
- 05-4 The District has implemented a procedure which requires two staff members to review all invoices and travel vouchers prior to payment. Extra care will be taken to ensure the correct code is entered into the Munis system when payments are being processed.
Completion date: Already implemented
- 05-5 The District will develop guidelines for all employees when attending professional development opportunities. Detailed documentation will be requested for auto expense reimbursements for the Head Start Program. The District has implemented a procedure which requires two staff members to review all travel vouchers and check for accuracy.
Anticipated completion date: February 1, 2006

Name of Contact Person: Evelyn Neely, Superintendent

Date: October 26, 2005

MANAGEMENT LETTER POINTS



DRANE & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

209 East Third Street - P. O. Box 577
Hardinsburg, Kentucky 40143

Telephone (270)756-5704
Fax (270)756-5927
e-mail dandrane@bellsouth.net

Members of the Board of Education
Breckinridge County School District
Hardinsburg, Kentucky

In planning and performing our audit of the basic financial statements of Breckinridge County School District for the year ended June 30, 2005, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated October 26, 2005 contains our report on internal control. This letter does not affect our report dated October 26, 2005 on the basic financial statements of the Breckinridge County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Drane & Company, PLLC
Certified Public Accountant

October 26, 2005

BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2005

PRIOR YEAR

The following points noted in the June 30, 2004 remained for the year ended June 30, 2005:

CENTRAL OFFICE

Processing Claims

Numerous problems continued in the processing of claims.

The District continued to pay sales tax occasionally. Invoices should be reviewed for the existence of sales tax and any present should be deducted before payment is made.

Cash discounts were not always taken for early payment, and some invoices were subjected to additional charges due to late payment. All invoices should be reviewed for the availability of discounts, and every effort should be made to take advantage of all discounts offered. Likewise, it is imperative that payments be made on time to avoid late charges.

CURRENT YEAR

CENTRAL OFFICE

Fixed Assets

While the District continues to make improvements in the area of fixed assets, we observed over \$127,000 in new capital additions not tagged or included with the fixed asset records. We continue recommending increased diligence to the classification of expenditures as capital or noncapital and the reconciliation of the fixed assets to the capital expenditure accounts.

District policy is not being followed for fixed asset disposals. The District's property procedures manual states that all property that needs to be disposed of should be identified on the fixed asset additions, transfers, and disposals form and submitted to the Finance Officer for Board approval. The proper forms are not being completed, and there is no consistency in the methods used for the disposition of property. We recommend that the District follow the guidelines in its property procedures manual.

The District was awarded a grant for the purchase of hand-held computers. These computers were considered property of the employees to whom they were assigned and accordingly, not recorded as fixed assets of the District. While a workshop required that its participants have this equipment, the grant was issued to the Board of Education and did not express any transfer of property to its users. One participant interpreted the grant terms as allowing personal ownership of the computers, and management agreed. As a result a group of small, technological items have no accountability in the District's fixed asset records. All items in question should be tagged and recorded as fixed assets immediately.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2005

Fixed Assets (Concluded)

Management Response: Coding issues have been reviewed with management to ensure capital assets are properly coded and identified as fixed assets. The District will develop procedures for disposal of Fixed Assets. District policies will be reviewed and any changes will be communicated to all personnel. The proper Fixed Asset forms and their use have been reviewed with management. All hand-held computers are currently being tagged as fixed assets. Previous administration interpreted the grant to allow personal ownership of hand-held computers. This will be corrected immediately and the items will be tagged as fixed assets.

Processing Claims

During our testing of cash disbursements, we noted several duplicate payments. Payments were made from copies of invoices that had already been paid. We recommend that every effort be made to ensure that an invoice submitted for payment has not been previously paid.

Paid invoices are not marked as such and could permit duplicate payment. We recommend that all paid invoices be marked "paid" to avoid the possibility of a repeat payment.

One vendor was underpaid on several occasions, as the invoices were not totaled correctly by the vendor. To every extent possible, invoices should be double-checked for accuracy, especially when invoices are hand-written or generated in a spreadsheet program.

Management Response: With the District initiating two staff members reviewing invoices, future overpayments will be reduced. "Paid" will now be marked on all invoices as they are entered into Munis for payment. All invoices are being checked for accuracy by at least two staff members.

Travel Reimbursements

We noted several problems with travel reimbursements. Although the District's standard mileage reimbursement is \$.32 per mile, several employees were only paid \$.30 per mile. In two cases, supporting documentation for expenses did not agree with the amount reimbursed. As a result, employees were paid more than they were entitled to. In other instances, employees were erroneously paid because the calculations on expense reimbursement vouchers did not add up. All reimbursement vouchers should be checked for accuracy, reasonableness, and adherence to District policy.

Management Response: District program directors will review with staff the proper procedures for completing and submitting travel vouchers.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2005

Payroll

In two cases, actual pay did not correspond to the employee time cards. One employee was paid for one more hour than what appeared on the time card. After further inquiry, the employee's supervisor confirmed that the employee made up the time missed. In another instance, an employee was paid for 3.25 more hours than what appeared on the time card. In this case, the employee's vacation or sick time should have been reduced, but was not. It is pertinent that the number of hours paid agrees with the time card. All hours worked should be properly documented and approved by the supervisor. More care should be taken to ensure that vacation and sick time are reduced for time used.

Management Response: The issue has been addressed with the Payroll Officer and procedures were implemented to ensure accuracy.

Bidding

The District followed the requirements for bidding, but on more than one occasion, it appeared that the lowest bidder was not selected. Also, extra services were sometimes performed in addition to the contracted services, but there was no documentation for the approval of these services. We recommend that the grounds for not selecting the lowest bidder be documented in the minutes. Furthermore, approval for any deviation from the contract should be documented and filed with the paid invoice.

Management Response: In the future, documentation will reflect reasoning for accepting a particular bid. Records will reflect actual contracted services rendered.

INDIVIDUAL SCHOOL ACTIVITY FUNDS

In our procedures over cash receipts and disbursements, we noted the following items:

Breckinridge County High School

(1) Internal Accounts - The "Accounting Procedures for School Activity Funds" (Redbook) states that all checks written on the internal account should have the signature of the principal and the school treasurer. We noted two checks that cleared the bank with only the school treasurer's signature. Two signatures are required. Two additional bank accounts open through October 2004 had no support for the account activity. As the accounts are now closed, we have no further recommendation.

(2) Purchasing Procedures - We noted several payments made without proper documentation. In five cases, purchase orders did not exist; two payments were made from statements instead of vendor invoices; one standard invoice was not signed; nine invoices were paid without evidence of receipt of the goods or services; sales tax was paid on one invoice; and the faculty sponsor signature was missing from three purchase orders. Purchase orders should be properly completed and accompanied by an original vendor invoice or a standard invoice. Evidence of receipt of goods or services should be present, and sales tax should be deducted before payment.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2005

Breckinridge County High School (Concluded)

(3) Receipts - Although multiple receipt forms were used, one form did not total to the amount that was recorded on the receipt. Several receipts were entered in the accounting system without the name of the remitter. One preprinted receipt number did not match the number in the accounting system. More care should be taken to ensure that the receipt matches the amount indicated on the multiple receipt form and that the preprinted number agrees with the number entered in the accounting system. Also, the name of the person or the organization remitting the money should be entered in the accounting system.

(4) Budget - No formal budget was prepared. The Redbook requires budget development consistent with KRS 160.470 and board approval of school activity budgets. We recommend that the Redbook guidelines for activity account budgets be followed.

(5) Annual School Activity Report - A list of accounts receivable did not accompany the annual school activity report for the fiscal year. Receivables and payables must be included in the end of year activity account balance in order to determine whether an activity account ended the year with a deficit balance. We recommend that a list of receivables and payables accompany the annual school activity report as required by the Redbook.

(6) Fixed Assets - The District's property procedures manual requires each school to forward a copy of the purchase order and invoice to the central office when a fixed asset item is purchased through the school activity account. This is not being done until the central office questions items based on the monthly report submitted. We recommend that a copy of the purchase order and invoice for a fixed asset item be forwarded to the central office immediately upon acquisition.

Breckinridge County Middle School

(1) Internal Accounts - The "Accounting Procedures for School Activity Funds" (Redbook) states that all checks written on the internal account should have the signature of the principal and the school treasurer. We noted one check that cleared the bank with only the school treasurer's signature. Two signatures are required.

(2) Purchasing Procedures - We noted several payments made without proper documentation. In seven cases, purchase orders were not prepared at all or prepared after the purchase; three standard invoices were not signed; nine invoices were paid without evidence of receipt of the goods or services; five invoices were paid late; and the faculty sponsor signature was missing from eight purchase orders. Purchase orders should be properly completed and accompanied by an original vendor invoice or a standard invoice. Evidence of receipt of goods or services should be present, and every effort should be made to ensure payments are made on time.

(3) Ticket Sales - Two of the requisition and report of ticket sales forms were not completed properly. The wrong beginning and ending ticket numbers were recorded. Although the form was incorrect, the money collected agreed with the amount that should have been collected according to the attached start and end tickets. Every effort should be made to ensure the required forms are prepared properly.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2005

Breckinridge County Middle School (Concluded)

(4) Budget - No formal budget was prepared. The Redbook requires budget development consistent with KRS 160.470 and board approval of school activity budgets. We recommend that the Redbook guidelines for activity account budgets be followed.

(5) Inventory - No inventory control worksheets could be located. The Redbook requires this form if the school operates a vending machine, bookstore, or concession stand. The inventory control worksheets should be prepared regularly and profits should be monitored for reasonableness.

(6) Fixed Assets - The District's property procedures manual requires each school to forward a copy of the purchase order and invoice to the central office when a fixed asset item is purchased through the school activity account. This is not being done until the central office questions items based on the monthly report submitted. We recommend that a copy of the purchase order and invoice for a fixed asset item be forwarded to the central office immediately upon acquisition.

Hardinsburg Elementary School

(1) Purchasing Procedures - We noted several payments made without proper documentation. In five cases, purchase orders were prepared after the purchase; one standard invoice was not signed; four invoices were paid without evidence of receipt of the goods or services; three invoices were paid late; and one payment was made without any invoice. In one instance, the payee on the check did not match the payee listed in the accounting records. Purchase orders should be properly completed and accompanied by an original vendor invoice or a standard invoice. Evidence of receipt of goods or services should be present, and every effort should be made to ensure payments are made on time. Also, the payee on a check should agree with the name entered in the accounting system, as this failure to maintain document control effectively removes any audit trail and could permit misappropriation.

(2) Receipts - Although multiple receipt forms were used, one form did not total to the amount that was recorded on the receipt. More care should be taken to ensure that the receipt matches the amount indicated on the multiple receipt form.

(3) Transfers - Faculty sponsor signatures were not present on transfer forms. The Redbook states that transfer forms shall be signed by the sponsor of the remitting (paying) activity.

(4) Annual School Activity Report - A list of accounts receivable did not accompany the annual school activity report for the fiscal year. Receivables and payables must be included in the end of year activity account balance in order to determine whether an activity account ended the year with a deficit balance. We recommend that a list of receivables and payables accompany the annual school activity report as required by the Redbook.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2005

Hardinsburg Elementary School (Concluded)

(5) Fixed Assets - The District's property procedures manual requires each school to forward a copy of the purchase order and invoice to the central office when a fixed asset item is purchased through the school activity account. This is not being done until the central office questions items based on the monthly report submitted. We recommend that a copy of the purchase order and invoice for a fixed asset item be forwarded to the central office immediately upon acquisition.

Ben Johnson Elementary School

(1) Purchasing Procedures - We noted several payments made without proper documentation. In two cases, purchase orders were prepared after the purchase; one standard invoice was not signed; two invoices were paid without evidence of receipt of the goods or services; three invoices were paid late; the faculty sponsor signature was missing from one purchase order; and one payment was more than the amount on the invoice. In one instance, the payee on the check did not match the payee listed in the accounting records. Purchase orders should be properly completed and accompanied by an original vendor invoice or a standard invoice. Evidence of receipt of goods or services should be present, and every effort should be made to ensure payments are made on time. Also, the payee on a check should agree with the name entered in the accounting system, as this failure to maintain document control effectively removes any audit trail and could permit misappropriation.

(2) Budget - No formal budget was prepared. The Redbook requires budget development consistent with KRS 160.470 and board approval of school activity budgets. We recommend that the Redbook guidelines for activity account budgets be followed.

(3) Inventory - No inventory control worksheets could be located. The Redbook requires this form if the school operates a vending machine, bookstore, or concession stand. The inventory control worksheets should be prepared regularly and profits should be monitored for reasonableness.

(4) Annual School Activity Report - A list of accounts receivable and accounts payable did not accompany the annual school activity report for the fiscal year. Receivables and payables must be included in the end of year activity account balance in order to determine whether an activity account ended the year with a deficit balance. We recommend that a list of receivables and payables accompany the annual school activity report as required by the Redbook.

(5) Fixed Assets - The District's property procedures manual requires each school to forward a copy of the purchase order and invoice to the central office when a fixed asset item is purchased through the school activity account. This is not being done until the central office questions items based on the monthly report submitted. We recommend that a copy of the purchase order and invoice for a fixed asset item be forwarded to the central office immediately upon acquisition.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2005

Irvington Elementary School

(1) Purchasing Procedures - We noted several payments made without proper documentation. In two cases, purchase orders were prepared after the purchase; two invoices were paid late; and the faculty sponsor signature was missing from one purchase order. Purchase orders should be properly completed and accompanied by an original vendor invoice or a standard invoice, and every effort should be made to ensure payments are made on time.

(2) Ticket Sales - There was a receipt for money collected at a ballgame, but the requisition and report of ticket sales form was not prepared. Every effort should be made to ensure the required forms are prepared properly.

(3) Receipts - Several receipts were entered in the accounting system without the name of the remitter. More care should be taken to ensure that the name of the person or the organization remitting the money is entered into the accounting system.

(4) Annual School Activity Report - A list of accounts receivable did not accompany the annual school activity report for the fiscal year. Receivables and payables must be included in the end of year activity account balance in order to determine whether an activity account ended the year with a deficit balance. We recommend that a list of receivables and payables accompany the annual school activity report as required by the Redbook.

(5) Leasing - A lease for a copier originated in May 2004, but the lease was not approved by the Board until September 2004. The Redbook states that leasing is not a school function. We recommend that future lease agreements be approved by the Board prior to finalization.

(6) Fixed Assets - The District's property procedures manual requires each school to forward a copy of the purchase order and invoice to the central office when a fixed asset item is purchased through the school activity account. This is not being done until the central office questions items based on the monthly report submitted. We recommend that a copy of the purchase order and invoice for a fixed asset item be forwarded to the central office immediately upon acquisition.

Custer Elementary School

(1) Purchasing Procedures - We noted several payments made without proper documentation. In six cases, purchase orders were prepared after the purchase; three invoices were paid late; and two payments were made from statements instead of invoices. Purchase orders should be properly completed and accompanied by an original vendor invoice or a standard invoice, and every effort should be made to ensure payments are made on time.

(2) Ticket Sales - One requisition and report of ticket sales form was not completed properly. The wrong beginning and ending ticket numbers were recorded. Although the form was incorrect, the money collected agreed with the amount that should have been collected according to the attached start and end tickets. Every effort should be made to ensure the required forms are prepared properly.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2005

Custer Elementary School (Concluded)

(3) Inventory - Inventory was not taken between November 2004 and June 2005. The Redbook requires inventory control worksheets if the school operates a vending machine, bookstore, or concession stand. This form should be prepared regularly and profits should be monitored for reasonableness.

(4) Receipts - Several receipts were entered in the accounting system without the name of the remitter. More care should be taken to ensure that the name of the person or the organization remitting the money is entered into the accounting system.

(5) Annual School Activity Report - A list of accounts payable did not accompany the annual school activity report for the fiscal year. Receivables and payables must be included in the end of year activity account balance in order to determine whether an activity account ended the year with a deficit balance. We recommend that a list of receivables and payables accompany the annual school activity report as required by the Redbook.

(6) Fixed Assets - The District's property procedures manual requires each school to forward a copy of the purchase order and invoice to the central office when a fixed asset item is purchased through the school activity account. This is not being done until the central office questions items based on the monthly report submitted. We recommend that a copy of the purchase order and invoice for a fixed asset item be forwarded to the central office immediately upon acquisition.

Management Response: In addition to all new principals being required to attend Redbook training, an annual review of Redbook guidelines will be held for pertinent staff members.

1) Internal Accounts - The District will require a copy of the entire monthly bank statement from each school be submitted to the Superintendent and Finance Officer for review.

2) Purchasing Procedures - Review of purchasing procedures will be held annually for school level accounting staff. All audit findings will be addressed.

3) Receipts - Review of receipt procedures will be held annually for school level accounting staff. All audit findings will be reviewed.

4) Budget - The District has procedures in place to ensure the timely submission of budgets. Annual review of Redbook guidelines will be held for pertinent staff members.

5) Annual School Activity Report - The requirements for annual school reports will be reviewed with appropriate staff.

6) Fixed Assets - The District will require a monthly fixed asset report be submitted to the Central Office by each school.

7) Ticket Sales - Review of ticket procedures will be held annually for school level accounting staff.

8) Transfers - Review of transfer procedures will be held annually for school level accounting staff.

9) Inventory - Review of inventory procedures will be held annually for school level accounting staff.